

**SARANAC  
PUBLIC  
LIBRARY**  
34-8003  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Saranac Public Library</b>	County <b>Ionia</b>
Audit Date <b>Sept 30, 2004</b>	Opinion Date <b>October 25, 2004</b>	Date Accountant Report Submitted to State: <b>January 11, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

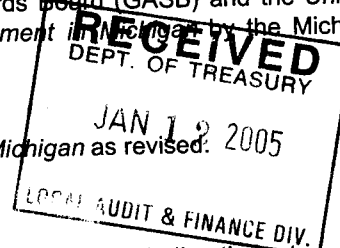
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Karl L. Drake, PC</b>			
Street Address <b>3775 Kimmel Road</b>	City <b>Horton</b>	State <b>MI</b>	ZIP <b>49246</b>
Accountant Signature <b>Karl L. Drake CPA</b>			



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Saranac Public Library  
Saranac, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Saranac Public Library, as of and for the year ended September 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Saranac Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Saranac Public Library as of September 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2004, on our consideration of Saranac Public Library's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 22 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Directors  
Saranac Public Library

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saranac Public Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.  
Certified Public Accountant

October 25, 2004

# **SARANAC PUBLIC LIBRARY**

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## **Management's Discussion and Analysis**

This section of Saranac Public Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended September 30, 2004. It is best read in conjunction with the Library's financial statements that follow this section.

### **Using This Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Saranac Public Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the entire Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant fund - the General Fund - with all other funds presented in one column as non-major funds.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### **Basic Financial Statements**

*Government-wide Financial Statements*

*Fund Financial Statements*

Notes to the Basic Financial Statements

*(Required Supplemental Information)*

Budgetary Information for the General Fund

Other Supplemental Information

### **Reporting The Library As A Whole - Government-Wide Financial Statements**

One of the most important questions asked about the Library is, "As a whole, what is the Library's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Library's financial health or financial position. Over time, increases or decreases in the Library's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors to assess the overall health of the Library.

The statement of net assets and statement of activities report the governmental activities for the Library, which encompass all of the Library's services, including resources and community enrichment. Property taxes and Penal Fines finance most of these activities.

### **Reporting The Library's Most Significant Funds - Fund Financial Statements**

The Library's fund financial statements provide detailed information about the most significant funds - not the Library as a whole. Some funds are required to be established by State law and by bond covenants. However, the Library establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Library use the following accounting approach:

Governmental Funds - All of the Library's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Library and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

# **SARANAC PUBLIC LIBRARY**

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## **Management's Discussion and Analysis**

### **The Library As A Whole**

Recall that the statement of net assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library's net assets as of September 30, 2004:

<b>TABLE 1</b>	<b>Governmental Activities (In Thousands)</b>
<b>ASSETS</b>	
Current and other assets	\$ 513.9
Capital assets - Net of accumulated depreciation	<u>95.5</u>
<b>TOTAL ASSETS</b>	<u>609.4</u>
<b>LIABILITIES</b>	
Current liabilities	2.9
Long-term liabilities	<u>0.7</u>
<b>TOTAL LIABILITIES</b>	<u>3.6</u>
<b>NET ASSETS</b>	
Invested in property and equipment - Net of related debt	95.5
Restricted	0.0
Unrestricted	<u>510.3</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 605.8</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Library's governmental activities is discussed below. The Library's net assets were \$605.8 thousand at September 30, 2004. Capital assets, net of related debt totaling \$95.5 thousand compares the original cost, less depreciation of the Library's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Library's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$510.3 thousand) was unrestricted.

The \$510.3 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the Library has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

TABLE 2

	Governmental Activities (In Thousands)
<b>REVENUE</b>	
Program Revenue	
Penal Fines	\$ 67.0
Grants and categoricals	0.0
General Revenue	
Property taxes	203.7
State Aid	7.8
Other	25.9
<b>TOTAL REVENUE</b>	<u>\$ 304.4</u>

# **SARANAC PUBLIC LIBRARY**

## **Management's Discussion and Analysis**

<b>FUNCTION/PROGRAM EXPENSES</b>	<b>(In Thousands)</b>
General Government	\$ ---
Public Safety	---
Roads	---
Community Enrichment	263.9
Depreciation (unallocated)	4.5
<b>TOTAL FUNCTION/PROGRAM EXPENSES</b>	<b>268.4</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 36.0</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$268.4 thousand. Certain activities were partially funded from those who benefited from the programs (\$67.0 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). We paid for the remaining "public benefit" portion of our governmental activities with \$203.7 thousand in taxes, \$7.8 thousand in State Aid, and with our other revenues, such as interest and general entitlements.

The Library experienced an increase in net assets of \$36.0 thousand. The key reason for the change in net assets was capitalizable expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 13.

As discussed above, the net cost shows the financial burden that was placed on the State and the Library's taxpayers by each of these functions. Since property taxes for operations and Penal Fines constitute the vast majority of the Library's operating revenue sources, the Board of Directors must annually evaluate the needs of the Library and balance those needs with available unrestricted resources.

### **The Library's Funds**

As we noted earlier, the Library uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

As the Library completed this year, the governmental funds reported a combined fund balance of \$511.0 thousand, which is an increase of \$23.9 thousand from last year. The primary reasons for the increase are expenditures. The General Fund, our principal operating fund, saw the fund balance increase \$23,901 to \$511,048, which is greater than the budgeted increase of \$0.

### **General Fund Budgetary Highlights**

Over the course of the year, the Library amends its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

## **Capital Asset And Debt Administration**

### **Capital Asset**

At September 30, 2004, the Library had \$95.5 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$12,787 or 15 percent, from last year.

	<u>2004</u>	<u>2003</u>
Buildings	\$ 36,072	\$ 36,072
Improvements	73,496	56,168
Vehicles	---	---
Equipment	---	---
Total Capital Assets	<u>109,568</u>	<u>92,240</u>
Less Accumulated Depreciation	<u>14,038</u>	<u>9,497</u>
Net Capital Assets	<u>\$ 95,530</u>	<u>\$ 82,743</u>

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors And Next Year's Budgets And Rates**

Our elected officials and administration considered many factors when setting the Library's 2005 fiscal year budget.

The Library's budget is very similar to the prior year. Interest rates on the Library's savings accounts should increase slightly, providing slightly higher interest revenues. The Library's taxable value will be higher, increasing the property tax revenues. Expenditures will be very consistent with last year.

### **Contacting The Library's Financial Management**

This financial report is designed to provide the Library's citizens, taxpayers, customers, investors and creditors of Saranac Public Library with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Manager, 61 Bridge Street, P.O. Box 27, Saranac, Michigan 48881.

# **SARANAC PUBLIC LIBRARY**

## **STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2004**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 422,209
Investments	91,696
Accounts Receivable	---
Prepaid Expenditures	---
Total Current Assets	<u>513,905</u>
Non-Current Assets	
Capital Assets	109,568
Less: Accumulated Depreciation	<u>-14,038</u>
Total Non-Current Assets	<u>95,530</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 609,435</b></u>
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts Payable	\$ 2,857
Accrued Salaries and Expenses	---
Accrued Interest	---
Deferred Revenue	---
Total Current Liabilities	<u>2,857</u>
Non-Current Liabilities	
Bonds Payable	---
Compensated Absences and Severance Pay	<u>744</u>
Total Non-Current Liabilities	<u>744</u>
<b>TOTAL LIABILITIES</b>	<u><b>3,601</b></u>
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	95,530
Restricted for Debt Service	---
Unrestricted	<u>510,304</u>
<b>TOTAL NET ASSETS</b>	<u><b>605,834</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 609,435</b></u>

See Accompanying Notes to Financial Statements

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2004**

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities				
General Government	\$ ---	\$ ---	\$ ---	\$ ---
Public Safety	---	---	---	---
Roads	---	---	---	---
Community Enrichment	263,928	66,954	---	-196,974
Interest on Long-Term Debt	---	---	---	---
Depreciation (Unallocated)	<u>4,541</u>	<u>---</u>	<u>---</u>	<u>-4,541</u>
Total Governmental Activities	<u>\$ 268,469</u>	<u>\$ 66,954</u>	<u>\$ ---</u>	<u>\$ -201,515</u>
General Revenue				
Taxes				\$ 203,673
Property Taxes, Levied for General Operations				---
Property Taxes, Levied for Debt Service				7,807
State of Michigan Aid, Unrestricted				10,887
Interest Earnings				<u>15,092</u>
Other				<u>237,459</u>
Total General Revenue				<u>35,944</u>
<b>CHANGE IN NET ASSETS</b>				<u>569,890</u>
NET ASSETS - BEGINNING OF YEAR				<u>\$ 605,834</u>
NET ASSETS - END OF YEAR				

See Accompanying Notes to Financial Statements.

# SARANAC PUBLIC LIBRARY

## BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	General	Other Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 513,905	\$ ---	\$ 513,905
Accounts Receivable	---	---	---
Due from Other Governmental Units	---	---	---
Due from Other Funds	---	---	---
Inventories	---	---	---
Prepaid Expenditures	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 513,905</b>	<b>\$ ---</b>	<b>\$ 513,905</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,857	\$ ---	\$ 2,857
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
<b>TOTAL LIABILITIES</b>	<b>2,857</b>	<b>---</b>	<b>2,857</b>
<b>FUND BALANCES</b>			
Reserved for Inventories	---	---	---
Reserved for Future Purchases	5,000	---	5,000
Unreserved and Undesignated	506,048	---	506,048
<b>TOTAL FUND BALANCES</b>	<b>511,048</b>	<b>---</b>	<b>511,048</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 513,905</b>	<b>\$ ---</b>	<b>\$ 513,905</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>			<b>\$ 511,048</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
- Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 109,568
Accumulated Depreciation is			<u>-14,038</u>
			95,530
- Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			<u>-744</u>
			---
- Accrued interest is not included as a liability in governmental funds			<u>---</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 605,834</b>

See Accompanying Notes to Financial Statements.

# STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2004

	General	Other Funds	Totals
<b>REVENUE</b>			
Property Taxes	\$ 203,673	\$ ---	\$ 203,673
State Grants	7,807	---	7,807
Penal Fines	66,954	---	66,954
Investment	10,887	---	10,887
Other	15,092	---	15,092
<b>TOTAL REVENUE</b>	<b>304,413</b>	<b>---</b>	<b>304,413</b>
<b>EXPENDITURES</b>			
General Government	---	---	---
Public Safety	---	---	---
Public Works	---	---	---
Recreational and Cultural	269,663	---	269,663
Debt Service	---	---	---
Capital Outlay	10,849	---	10,849
<b>TOTAL EXPENDITURES</b>	<b>280,512</b>	<b>---</b>	<b>280,512</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>23,901</b>	<b>---</b>	<b>23,901</b>
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>23,901</b>	<b>---</b>	<b>23,901</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>487,147</b>	<b>---</b>	<b>487,147</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 511,048</b>	<b>\$ ---</b>	<b>\$ 511,048</b>

See Accompanying Notes to Financial Statements.

# **SARANAC PUBLIC LIBRARY**

## **RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2004**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 23,901**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

-4,541

Capital Outlay

17,328

12,787

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid
- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)
- Uncollected property tax revenue is deferred in the governmental funds, but not in the statement of activities
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds

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-744

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 35,944**

See Accompanying Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Library conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### **A. REPORTING ENTITY**

The Library is a component unit of the Village of Saranac. The Library has two branches, one in Saranac and one in Clarksville. The Library Board has seven members, five appointed by the Village of Saranac and two appointed by the Village of Clarksville.

#### **B. BASIS OF PRESENTATION**

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

## NOTES TO FINANCIAL STATEMENTS

### B. BASIS OF PRESENTATION (CONTINUED)

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

#### GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

### C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Library for these budgetary funds were adopted at the functional level.

### D. PROPERTY TAXES

Ionia County assesses millage for library operations. The various libraries in the County receive property tax revenues based on the libraries that they serve. Saranac Public Library receives 100% of the library revenue collected from Boston Library and Campbell Library, and 50% of the library revenue from Keene Library and Berlin Library. Total property tax revenues for the year ended September 30, 2004, were \$203,673.

## **E. CASH EQUIVALENTS**

The Library considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

## **F. FINANCIAL INSTRUMENTS**

The Library does not require collateral to support financial instruments subject to credit risk.

## **G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

## **H. FUND EQUITY**

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

## **I. CAPITAL ASSETS**

Capital assets, which include land, buildings, equipment and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15-50 years
Vehicles	5-20 years
Other equipment	5-20 years

**NOTES TO FINANCIAL STATEMENTS**

**J. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**K. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**L. ESTIMATES**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

**A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:** The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Library, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library is in compliance with State law regarding their cash deposits.

The Library maintains all of its cash deposits at three banks and one investment company.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

Deposits	Book Value	Carrying Amounts
Insured (FDIC and SIPC)	\$ 278,967	\$ 275,963
Uninsured & Uncollateralized	143,242	162,045
Total Deposits	<u>\$ 422,209</u>	<u>\$ 438,008</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

# SARANAC PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at September 30, 2004.

### NOTE 4 - DUE TO/FROM OTHER FUNDS

There were no due to/due from at September 30, 2004.

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Library's Governmental activities was as follows:

	Balance October 1, 2003	Additions	Disposals and Adjustments	Balance September 30, 2004
Capital assets being depreciated:				
Buildings	36,072	---	---	36,072
Improvements	56,168	17,328	---	73,496
Vehicles	---	---	---	---
Equipment	---	---	---	---
Subtotal	92,240	17,328	---	109,568
Accumulated depreciation:				
Buildings	1,072	---	---	1,072
Improvements	8,425	4,541	---	12,966
Vehicles	---	---	---	---
Equipment	---	---	---	---
Subtotal	9,497	4,541	---	14,038
Net capital assets	\$ 82,743	\$ 12,787	\$ ---	\$ 95,530

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

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**NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET**

During the year ended September 30, 2004, the Library incurred expenditures that were in excess of the amounts budgeted as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital Outlay	\$ 6,500	\$ 10,849	\$ 4,349

**NOTE 7 - RETIREMENT PLAN**

During the year ended September 30, 2004, the Library did not participate in any retirement plan.

**NOTE 8 - INVESTMENTS**

Investments consist of mutual funds and are valued at market value at September 30, 2004.

**NOTE 9 - RISK MANAGEMENT AND LITIGATION**

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Library has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At September 30, 2004, no claims exist, and no provision has been entered into the accounting records.

**NOTE 10 - FUND BALANCE RESTRICTIONS**

\$5,000 of fund balance is restricted for future purchases based on a donor restriction..

**NOTE 11 - CONTRACTS**

The Library is working under an agreement to provide management services for the Village of Clarksville Library and to also add representatives, appointed by the Village of Clarksville, to its Board of Directors.

**REQUIRED SUPPLEMENTAL INFORMATION**

# BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUES</b>				
Property Taxes	\$ 193,876	\$ 193,876	\$ 203,673	\$ 9,797
State Revenue	7,100	7,100	7,807	707
Penal Fines	72,000	72,000	66,954	-5,046
Investment	11,496	11,496	10,887	-609
Other	14,650	14,650	15,092	442
Transfers In	---	---	---	---
<b>TOTAL REVENUES</b>	<b>299,122</b>	<b>299,122</b>	<b>304,413</b>	<b>5,291</b>
<b>EXPENDITURES</b>				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	---	---	---	---
Recreation and Culture	292,622	292,622	269,663	22,959
Debt Service	---	---	---	---
Capital Outlay	6,500	6,500	10,849	-4,349
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>299,122</b>	<b>299,122</b>	<b>280,512</b>	<b>18,610</b>
<b>EXCESS OF REVENUES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	---	---	23,901	23,901
<b>BUDGETARY FUND BALANCE - OCTOBER 1, 2003</b>	<b>487,147</b>	<b>487,147</b>	<b>487,147</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - SEPTEMBER 30, 2004</b>	<b>\$ 487,147</b>	<b>\$ 487,147</b>	<b>\$ 511,048</b>	<b>\$ 23,901</b>

**OTHER SUPPLEMENTAL INFORMATION**

## COMBINING BALANCE SHEET

	Saranac Library	Clarksville Library	Total
<b>ASSETS</b>			
Petty Cash	\$ 25	\$ 25	\$ 50
Cash Checking	129,211	57,612	186,823
Cash Savings	184,197	51,139	235,336
Investments	91,696	---	91,696
<b>TOTAL ASSETS</b>	<b><u>\$ 405,129</u></b>	<b><u>\$ 108,776</u></b>	<b><u>\$ 513,905</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,639	\$ 1,218	\$ 2,857
Payroll Taxes Payable	---	---	---
<b>TOTAL LIABILITIES</b>	<u>1,639</u>	<u>1,218</u>	<u>2,857</u>
 <b>FUND BALANCE</b>			
	<u>403,490</u>	<u>107,558</u>	<u>511,048</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 405,129</u></b>	<b><u>\$ 108,776</u></b>	<b><u>\$ 513,905</u></b>

# **SARANAC PUBLIC LIBRARY**

## **COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Saranac Library</u>	<u>Clarksville Library</u>	<u>Total</u>
<b>REVENUE</b>			
Grants	\$ 2,278	\$ 2,278	\$ 4,556
Property Taxes	157,775	45,898	203,673
Donations	358	200	558
Memorials	20	---	20
Penal Fines	50,204	16,750	66,954
Daily Transactions	6,141	3,767	9,908
Investment Income	10,231	656	10,887
Miscellaneous	50	---	50
State Aid Grant	5,855	1,952	7,807
<b>TOTAL REVENUE</b>	<b>232,912</b>	<b>71,501</b>	<b>304,413</b>
<b>EXPENDITURES</b>			
Wages	100,162	26,102	126,264
Payroll Taxes	9,785	3,056	12,841
Employee Benefits	6,620	2,954	9,574
Collections/ Books	18,852	8,782	27,634
Mileage Reimbursement	1,346	359	1,705
Repairs and Maintenance	36,654	7,604	44,258
Insurance	3,609	---	3,609
Supplies	4,790	1,686	6,476
Equipment Purchases	10,837	12	10,849
Lakeland Library Cooperative	14,187	6,293	20,480
Miscellaneous	2,610	166	2,776
Summer Reading	---	791	791
Continuing Education	287	50	337
Utilities and Telephone	6,034	2,165	8,199
Professional Fees	952	850	1,802
Dues and Subscriptions	435	179	614
Program Expense	1,929	374	2,303
<b>TOTAL EXPENDITURES</b>	<b>219,089</b>	<b>61,423</b>	<b>280,512</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>13,823</b>	<b>10,078</b>	<b>23,901</b>
<b>BALANCE - BEGINNING OF YEAR</b>	<b>389,667</b>	<b>97,480</b>	<b>487,147</b>
<b>BALANCE - END OF YEAR</b>	<b>\$ 403,490</b>	<b>\$ 107,558</b>	<b>\$ 511,048</b>

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SARANAC LIBRARY**

**YEAR ENDED SEPTEMBER 30, 2004**

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
Grants	\$ 3,600	\$ 2,278	\$ -1,322
Property Taxes	150,626	157,775	7,149
Donations	600	358	-242
Memorials	375	20	-355
Penal Fines	55,000	50,204	-4,796
Daily Transactions	6,221	6,141	-80
Interest	10,400	10,231	-169
Miscellaneous	---	50	50
State Aid Grant	5,300	5,855	555
<b>TOTAL REVENUE</b>	<b>232,122</b>	<b>232,912</b>	<b>790</b>
<b>EXPENDITURES</b>			
Wages	105,000	100,162	4,838
Payroll Taxes	7,344	9,785	-2,441
Employee Benefits	12,200	6,620	5,580
Collections/Books	18,960	18,852	108
Mileage Reimbursement	1,500	1,346	154
Repairs and Maintenance	34,000	36,654	-2,654
Insurance	3,800	3,609	191
Supplies	5,370	4,790	580
Equipment Purchases	5,000	10,837	-5,837
Lakeland Library Cooperative	13,100	14,187	-1,087
Miscellaneous	13,968	2,610	11,358
Summer Reading	---	---	---
Continuing Education	2,000	287	1,713
Utilities and Telephone	6,780	6,034	746
Professional Fees	800	952	-152
Dues and Subscriptions	800	435	365
Program Expense	1,500	1,929	-429
<b>TOTAL EXPENDITURES</b>	<b>232,122</b>	<b>219,089</b>	<b>13,033</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>---</b>	<b>13,823</b>	<b>13,823</b>
<b>BALANCE BEGINNING OF YEAR</b>	<b>389,667</b>	<b>389,667</b>	<b>---</b>
<b>BALANCE END OF YEAR</b>	<b>\$ 389,667</b>	<b>\$ 403,490</b>	<b>\$ 13,823</b>

# **SARANAC PUBLIC LIBRARY**

## **STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - CLARKSVILLE LIBRARY**

**YEAR ENDED SEPTEMBER 30, 2004**

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
Grants	\$ 500	\$ 2,278	\$ 1,778
Property Taxes	43,250	45,898	2,648
Donations	96	200	104
Memorials	---	---	---
Penal Fines	17,000	16,750	-250
Daily Transactions	3,258	3,767	509
Investment Income	1,096	656	-440
State Aid Grant	1,800	1,952	152
<b>TOTAL REVENUE</b>	<b>67,000</b>	<b>71,501</b>	<b>4,501</b>
<b>EXPENDITURES</b>			
Wages	27,600	26,102	1,498
Payroll Taxes	2,112	3,056	-944
Employee Benefits	4,000	2,954	1,046
Collections/Books	9,100	8,782	318
Mileage Reimbursement	400	359	41
Repairs and Maintenance	5,100	7,604	-2,504
Equipment Purchases	1,500	12	1,488
Miscellaneous	2,348	166	2,182
Insurance	500	---	500
Supplies	1,860	1,686	174
Program Expenses	800	374	426
Summer Reading	500	791	-291
Continuing Education	300	50	250
Lakeland Library Cooperative	7,500	6,293	1,207
Utilities and Telephone	2,440	2,165	275
Dues and Subscriptions	140	179	-39
Professional Fees	800	850	-50
<b>TOTAL EXPENDITURES</b>	<b>67,000</b>	<b>61,423</b>	<b>5,577</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>---</b>	<b>10,078</b>	<b>10,078</b>
<b>BALANCE BEGINNING OF YEAR</b>	<b>97,480</b>	<b>97,480</b>	<b>---</b>
<b>BALANCE END OF YEAR</b>	<b>\$ 97,480</b>	<b>\$ 107,558</b>	<b>\$ 10,078</b>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Saranac Public Library

We have audited the general-purpose financial statements of Saranac Public Library as of and for the year ended September 30, 2004, and have issued our report thereon dated October 25, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saranac Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saranac Public Library's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.  
Certified Public Accountant

October 25, 2004